

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Grand Haven Charter Township	County Ottawa
Fiscal Year End 12/31/06	Opinion Date 6/25/07	Date Audit Report Submitted to State 6/26/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

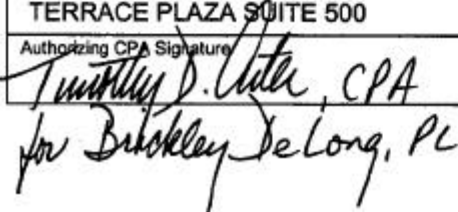
US  
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	No single audit or other item required	
Certified Public Accountant (Firm Name) BRICKLEY DELONG, PLC		Telephone Number 231-726-5800	
Street Address TERRACE PLAZA SUITE 500		City MUSKEGON	State MI
Zip 49443			
Authorizing CPA Signature 		Printed Name TIMOTHY D. ARTER	License Number 10253

Grand Haven Charter Township  
Ottawa County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended December 31, 2006

Grand Haven Charter Township

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# **Grand Haven Charter Township**

## **Management's Discussion and Analysis**

As management of Grand Haven Charter Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2006. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### **FINANCIAL HIGHLIGHTS**

- At the close of the fiscal year Grand Haven Charter Township had total assets of \$28,673,205 and total liabilities of \$14,256,298 leaving net assets of \$14,416,907, a decrease of 0.49% in the Township's overall net assets.
- Total revenues, including all program and general revenues, were \$6,415,209, made up of governmental revenues of \$3,938,140 and business-type revenues of \$2,477,069. Revenues for the Township's Downtown Development Authority (DDA) were \$721,246 compared with \$360,849 in the prior year.
- Total expenses for all of the Township's programs were \$6,487,056. Of that total, the governmental expenses were \$4,012,975 and the business-type expenses were \$2,474,081. Expenses for the Township's DDA were \$1,400,407 for construction of storm sewers, drain enclosures and street intersection improvements. This expense was partially offset by a \$282,500 capital contribution received from Walmart.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

# Grand Haven Charter Township

## Management's Discussion and Analysis

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Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and cultural and recreational activities. The business-type activities of the Township include water distribution and sewer services.

The government-wide financial statements include not only Grand Haven Charter Township (the primary government) but also the legally separate Downtown Development Authority. The board of this organization is appointed by the Township and the Township is financially accountable for it. The financial information of this component unit is reported in a separate column from the financial information of the primary government.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories-governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

Grand Haven Charter Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Fire Fund, which are considered major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

# Grand Haven Charter Township

## Management's Discussion and Analysis

**Proprietary Funds.** The Township has enterprise proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provided separate information for the Water and Sewer funds, both of which are major funds.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and Fire Fund.

### Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of December 31, 2006, the Township's net assets from governmental activities totaled \$4,686,234 (33%) and \$9,730,673 (67%) from business-type activities, creating a total government-wide net assets total of \$14,416,907.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$1,881,118. This represents the amount of discretionary cash or investments that can be used for general governmental operations.

# Grand Haven Charter Township

## Management's Discussion and Analysis

The business-type activities show a total of \$9,730,673 in net assets and \$3,262,832 in unrestricted net assets. The Sewer Fund and Water Fund unrestricted net assets are \$1,915,828 and \$1,347,004, respectively.

	Net Assets					
	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Current assets and						
other assets	\$ 5,563,330	\$ 5,062,999	\$ 3,141,333	\$ 2,869,900	\$ 8,704,663	\$ 7,932,899
Capital assets	5,895,157	6,166,248	14,073,385	14,707,422	19,968,542	20,873,670
Total assets	11,458,487	11,229,247	17,214,718	17,577,322	28,673,205	28,806,569
Current liabilities	3,548,571	2,905,897	1,074,589	737,320	4,623,160	3,643,217
Noncurrent liabilities	3,223,682	3,653,696	6,409,456	7,020,902	9,633,138	10,674,598
Total liabilities	6,772,253	6,559,593	7,484,045	7,758,222	14,256,298	14,317,815
Net assets						
Invested in capital assets,						
net of related debt	2,280,613	2,138,555	5,751,636	5,397,973	8,032,249	7,536,528
Restricted	524,503	562,627	716,205	1,049,416	1,240,708	1,612,043
Unrestricted	1,881,118	1,968,472	3,262,832	3,371,711	5,143,950	5,340,183
Total net assets	\$ 4,686,234	\$ 4,669,654	\$ 9,730,673	\$ 9,819,100	\$ 14,416,907	\$ 14,488,754

The table above shows a decline in capital assets from 2005 to 2006 for both governmental and business-type activities caused primarily by ordinary depreciation. The decline in long-term debt was the result of scheduled debt repayments. An increase in payables related to street improvements and capital asset purchases in both governmental activities and business-type activities caused a temporary increase in current liabilities and current assets.

### Governmental Activities

Governmental activities increased by \$16,580 (0.4%) during the 2006 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

The Township experienced a 4.0% increase in property tax revenue, due primarily to new construction in the Township and growth in taxable value. Investment earnings also increased due to higher interest rates. These increases coupled with the increases in charges for services (building related permits) and operating grants and contributions attributed to an overall increase in revenue of \$269,100 (7.3%). The increase in expenses of \$424,333 outpaced revenue by (4.5%) with \$248,664 of the increase in Public works because the Township paved Pierce Street.

### Business-type Activities

At the end of the fiscal year, the net assets for business-type activities decreased \$88,427 or .9%. Two funds comprise the business-type activities. The Water Fund experienced a decrease in net assets for the year totaling \$41,303 while the Sewer Fund net assets decreased \$47,124.

# Grand Haven Charter Township

## Management's Discussion and Analysis

The table on business-type activities shows a decrease in total revenues of \$398,323 (13.9%) due primarily to a decrease in connection fees. Investment earnings exceeded the prior year by \$75,845 or 57% due to increases in the rate of return. Also, total expenses for business-type activities declined 7.6% (\$204,915) below last year due to fewer repairs in the Water Fund.

### Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 648,201	\$ 588,907	\$ 2,086,152	\$ 2,527,865	\$ 2,734,353	\$ 3,116,772
Operating grants and contributions	22,148	17,350	-	-	22,148	17,350
Capital grants and contributions	672	15,531	-	-	672	15,531
General revenues						
Property taxes	1,931,023	1,855,942	179,007	209,907	2,110,030	2,065,849
Grants and contributions not restricted	917,364	920,752	-	3,855	917,364	924,607
Unrestricted investment earnings	202,582	111,148	209,610	133,765	412,192	244,913
Miscellaneous	211,315	159,410	-	-	211,315	159,410
Gain on sale of capital assets	4,835	-	2,300	-	7,135	-
<b>Total revenues</b>	<b>3,938,140</b>	<b>3,669,040</b>	<b>2,477,069</b>	<b>2,875,392</b>	<b>6,415,209</b>	<b>6,544,432</b>
<b>Expenses:</b>						
General government	1,333,687	1,175,620	-	-	1,333,687	1,175,620
Public safety	1,103,474	1,040,342	-	-	1,103,474	1,040,342
Public works	530,428	281,764	-	-	530,428	281,764
Community and economic development	405,302	367,982	-	-	405,302	367,982
Culture and recreation	457,724	521,925	-	-	457,724	521,925
Interest on long term debt	182,360	201,009	-	-	182,360	201,009
Sewer Fund	-	-	488,333	438,357	488,333	438,357
Water Fund	-	-	1,985,748	2,240,639	1,985,748	2,240,639
<b>Total expenses</b>	<b>4,012,975</b>	<b>3,588,642</b>	<b>2,474,081</b>	<b>2,678,996</b>	<b>6,487,056</b>	<b>6,267,638</b>
Change in net assets before transfers	(74,835)	80,398	2,988	196,396	(71,847)	276,794
Transfers	91,415	91,155	(91,415)	(91,155)	-	-
<b>Increase in net assets</b>	<b>16,580</b>	<b>171,553</b>	<b>(88,427)</b>	<b>105,241</b>	<b>(71,847)</b>	<b>276,794</b>
<b>Net assets - Beginning</b>	<b>4,669,654</b>	<b>4,498,101</b>	<b>9,819,100</b>	<b>9,713,859</b>	<b>14,488,754</b>	<b>14,211,960</b>
<b>Net assets - Ending</b>	<b>\$ 4,686,234</b>	<b>\$ 4,669,654</b>	<b>\$ 9,730,673</b>	<b>\$ 9,819,100</b>	<b>\$ 14,416,907</b>	<b>\$ 14,488,754</b>



# Grand Haven Charter Township

## Management's Discussion and Analysis

### Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2006 fiscal year, the governmental funds reported a combined fund balance of \$2,524,641. This number represents the fund balance of \$1,933,467 in the General Fund, \$247,116 in the Fire Fund and \$344,058 in other governmental funds. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of \$50,968 and pay debt service of \$322,587.

The General Fund is the chief operating fund of the Township. At the end of 2006, the unreserved General Fund fund balance was \$1,902,624 and the total General Fund fund balance was \$1,933,467. Of the unreserved fund balance, the Township Board has designated \$614,144 for future infrastructure improvements. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 70% of the General Fund expenditures and total fund balance represents 71% of the General Fund expenditures.

**Proprietary Funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets of the Sewer Fund decreased \$47,124, while the Water Fund decreased \$41,303. The result was an overall net decrease in the proprietary funds of \$88,427.

### General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget. The most significant of those is listed below:

- The budget for property taxes was increased to \$807,895 from \$793,650 due primarily to greater than anticipated interest and penalties (\$12,310) while administrative fees fell short of budget by (\$8,408). The budget for licenses and permits was decreased to \$389,260 from \$417,335 due to a decline in home construction.

# Grand Haven Charter Township

## Management's Discussion and Analysis

- The budget for intergovernmental revenues – state was decreased to \$923,620 from \$947,300 due to continued cutbacks at the state level.
- The budget for investment earnings was increased to \$122,710 from \$106,500 due to maturing investments being replaced with higher yield investments.
- The budget for Township Board was increased to \$252,250 from \$201,035 due primarily to costs for mid-decade census and a change in accounting policy affecting legal fees.
- The budget for Building and Zoning was decreased to \$361,120 from \$384,895 as a result of staff changes.
- The budget for capital outlay was reduced to \$64,025 from \$126,200 due primarily to a delay in a park project.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Budgeted General Fund revenues ended the year \$23,144 above budget. Most of this overage came from investment earnings which were \$35,812 over budget as the result of a better mix in Township investment maturities which outpaced Intergovernmental Revenues from the State which fell \$6,256 below budget.
- Budgeted General Fund expenditures ended the year \$51,182 below budget. Most of the difference came from capital outlay which was \$16,061 below budget as a result of the delay in a park project. Bike paths were \$17,914 below budget as completion of the bike path paving project (repairs) was shifted to 2007 and costs for the Cemetery were \$14,012 under budget.

### Capital Assets Administration

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2006 totaled \$17,614,529 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture, machinery, equipment, utility systems and vehicles.

Major capital asset events during the current fiscal year included the following:

- The Township purchased a Toro Groundmaster for \$15,170.
- The Township repaved sections of the bike path for \$18,042.
- The Fire Dept. purchased a fire vehicle (Suburban) for \$40,430.
- The Fire Dept. purchased a Rescue Tool for \$36,063.
- The Sewer Dept. purchased new SCADA lift station communication devices for \$60,539.
- The Water Dept. installed watermain on Pierce Street for \$44,555.
- The Water Dept. purchased new hydrants to replace certain aging hydrants for \$42,533.

# Grand Haven Charter Township

## Management's Discussion and Analysis

### Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 745,655	\$ 745,655	\$ 47,399	\$ 47,399	\$ 793,054	\$ 793,054
Land improvements	1,100,739	1,209,990	-	-	1,100,739	1,209,990
Buildings and improvements	3,343,210	3,448,445	-	-	3,343,210	3,448,445
Utility systems	-	-	11,600,403	11,738,895	11,600,403	11,738,895
Furniture, machinery and equipment	193,739	179,397	76,114	49,082	269,853	228,479
Vehicles	252,270	285,068	-	-	252,270	285,068
Shared improvements	255,000	280,500	-	-	255,000	280,500
Total	<u>\$ 5,890,613</u>	<u>\$ 6,149,055</u>	<u>\$ 11,723,916</u>	<u>\$ 11,835,376</u>	<u>\$ 17,614,529</u>	<u>\$ 17,984,431</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

### Long-Term Debt

At the end of the fiscal year, the Township had total outstanding debt of \$10,708,820 consisting of general obligations bonds, revenue bonds and compensated absences. The general obligation debt of \$3,610,000 in governmental funds is backed by the full-faith and credit of the Township. Approximately \$7,020,456 or (66%) of the Township's outstanding debt represented in table below is recorded as revenue bonds. The payment of this debt service is anticipated through the revenues generated from the water and sewer services in the enterprise funds.

### Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligations bonds	\$ 3,610,000	\$ 4,010,500	\$ -	\$ -	\$ 3,610,000	\$ 4,010,500
Revenue bonds	-	-	7,020,456	7,441,902	7,020,456	7,441,902
Compensated absences	78,364	87,393	-	-	78,364	87,393
Total	<u>\$ 3,688,364</u>	<u>\$ 4,097,893</u>	<u>\$ 7,020,456</u>	<u>\$ 7,441,902</u>	<u>\$ 10,708,820</u>	<u>\$ 11,539,795</u>

# **Grand Haven Charter Township**

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## **Management's Discussion and Analysis**

The Township's total debt decreased by \$821,946 during the fiscal year. This reduction was due to normal debt payoffs as provided for in the fiscal year 2006 budget. The Township did not issue any new debt this year.

Additional information on the Township's long-term debt can be found in Note I of the "Notes to the Financial Statements" of this report.

### **General Economic Overview**

The Township's General Fund has two major revenue sources - state revenue sharing and property tax revenue. Those two sources comprised over 59% of the General Fund revenue. In fiscal 2007, state revenue sharing is expected to remain at the 2006 level. Property tax revenues are expected to increase by 5%.

Township board and staff remain optimistic that the Township's economic stability will be further enhanced by the Township-wide public safety SAD (0.5000 mills approved by voters) providing \$301,745 for police services (Ottawa County Sheriff's department) during fiscal year 2007, the completion of a water/sewer rate study with recommended minor rate increases over three years and completion of the Walmart construction project with subsequent opening during 2007.

### **Requests for Information**

This financial report is designed to provide a general overview of Grand Haven Charter Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Grand Haven Charter Township, 13300 168<sup>th</sup> Avenue, Grand Haven, Michigan, 49417, (616) 842-5988.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

June 25, 2007

Township Board  
Grand Haven Charter Township  
Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grand Haven Charter Township, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grand Haven Charter Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grand Haven Charter Township, Michigan, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - ix and 30 - 31 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grand Haven Charter Township, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Grand Haven Charter Township**  
**STATEMENT OF NET ASSETS**  
December 31, 2006

ASSETS

	Governmental activities	Business-type activities	Total	Component Unit Downtown Development Authority
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 4,092,150	\$ 2,690,410	\$ 6,782,560	\$ 392,331
Receivables	1,214,660	491,935	1,706,595	260,277
Due from other governmental units	144,758	-	144,758	-
Internal balances	51,323	(51,323)	-	-
Due from component unit	9,472	-	9,472	-
Prepaid items	50,967	10,311	61,278	-
Total current assets	5,563,330	3,141,333	8,704,663	652,608
<b>NONCURRENT ASSETS</b>				
Restricted assets	-	716,205	716,205	-
Capital assets, net				
Nondepreciable	745,655	309,837	1,055,492	-
Depreciable	5,144,958	11,414,079	16,559,037	-
Access rights, net	-	939,693	939,693	-
Bond issue costs, net	-	108,483	108,483	-
Special assessments receivable	4,544	530,833	535,377	-
Contracts receivable	-	54,255	54,255	-
Total noncurrent assets	5,895,157	14,073,385	19,968,542	-
Total assets	11,458,487	17,214,718	28,673,205	652,608
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued liabilities	426,479	190,504	616,983	28,366
Due to other governmental units	41,880	74,349	116,229	-
Due to primary government	-	-	-	9,472
Deferred revenue	2,615,530	198,736	2,814,266	398,775
Bonds and other obligations, due within one year	464,682	611,000	1,075,682	-
Total current liabilities	3,548,571	1,074,589	4,623,160	436,613
<b>NONCURRENT LIABILITIES</b>				
Bonds and other obligations, less amounts due within one year	3,223,682	6,409,456	9,633,138	-
Total liabilities	6,772,253	7,484,045	14,256,298	436,613
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,280,613	5,751,636	8,032,249	-
Restricted for:				
Debt service	277,387	431,613	709,000	-
Capital projects	-	284,592	284,592	-
Fire department operations	247,116	-	247,116	-
Unrestricted	1,881,118	3,262,832	5,143,950	215,995
Total net assets	\$ 4,686,234	\$ 9,730,673	\$ 14,416,907	\$ 215,995

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2006

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets							
	Expenses	Program Revenue			Primary Government			Component Unit
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total	Downtown Development Authority
Primary government								
Governmental activities								
General government	\$ 1,333,687	\$ 340,419	\$ -	\$ -	\$ (993,268)	\$ -	\$ (993,268)	\$ -
Public safety	1,103,474	4,539	-	-	(1,098,935)	-	(1,098,935)	-
Public works	530,428	-	-	672	(529,756)	-	(529,756)	-
Community and economic development	405,302	277,669	-	-	(127,633)	-	(127,633)	-
Culture and recreation	457,724	25,574	22,148	-	(410,002)	-	(410,002)	-
Interest on long-term debt	182,360	-	-	-	(182,360)	-	(182,360)	-
Total governmental activities	4,012,975	648,201	22,148	672	(3,341,954)	-	(3,341,954)	-
Business-type activities								
Sewer	488,333	353,224	-	-	-	(135,109)	(135,109)	-
Water	1,985,748	1,732,928	-	-	-	(252,820)	(252,820)	-
Total business-type activities	2,474,081	2,086,152	-	-	-	(387,929)	(387,929)	-
Total primary government	\$ 6,487,056	\$ 2,734,353	\$ 22,148	\$ 672	(3,341,954)	(387,929)	(3,729,883)	-
Component unit								
Downtown Development Authority								
Community and economic development	\$ 1,400,407	\$ 34,333	\$ 282,500	\$ -	-	-	-	(1,083,574)
General revenues								
Property taxes, levied for								
General purposes					800,957	-	800,957	356,947
Specific purposes					1,130,066	179,007	1,309,073	-
Grants and contributions not restricted to specific programs					917,364	-	917,364	-
Unrestricted investment earnings					202,582	209,610	412,192	47,466
Miscellaneous					211,315	-	211,315	-
Gain on sale of capital asset					4,835	2,300	7,135	-
Transfers					91,415	(91,415)	-	-
Total general revenues and transfers					3,358,534	299,502	3,658,036	404,413
Change in net assets					16,580	(88,427)	(71,847)	(679,161)
Net assets at January 1, 2006					4,669,654	9,819,100	14,488,754	895,156
Net assets at December 31, 2006					\$ 4,686,234	\$ 9,730,673	\$ 14,416,907	\$ 215,995

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township  
**BALANCE SHEET**  
Governmental Funds  
December 31, 2006

	General Fund	Fire Fund	Other governmental funds	Total governmental funds
<b>ASSETS</b>				
Cash and investments	\$ 2,661,337	\$ 704,517	\$ 726,296	\$ 4,092,150
Receivables				
Accounts	23,158	1,340	1,208	25,706
Property taxes	364,300	469,222	328,825	1,162,347
Special assessments	16,891	-	-	16,891
Interest	14,258	-	-	14,258
Due from other governmental units	144,758	-	-	144,758
Due from other funds	68,774	-	-	68,774
Due from component unit	9,472	-	-	9,472
Prepaid items	30,843	20,125	-	50,968
Advances to other funds	-	-	314,500	314,500
<b>Total assets</b>	<b>\$ 3,333,791</b>	<b>\$ 1,195,204</b>	<b>\$ 1,370,829</b>	<b>\$ 5,899,824</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 311,179	\$ 6,981	\$ 150	\$ 318,310
Accrued liabilities	34,891	28,078	-	62,969
Due to other governmental units	40,809	1,071	-	41,880
Due to other funds	-	15,838	1,613	17,451
Deferred revenue	698,945	896,120	1,025,008	2,620,073
Advances from other funds	314,500	-	-	314,500
<b>Total liabilities</b>	<b>1,400,324</b>	<b>948,088</b>	<b>1,026,771</b>	<b>3,375,183</b>
<b>Fund balances</b>				
Reserved for:				
Prepaid items	30,843	20,125	-	50,968
Debt service	-	-	322,587	322,587
Unreserved				
Designated for infrastructure improvements				
General Fund	614,144	-	-	614,144
Undesignated, reported in				
General Fund	1,288,480	-	-	1,288,480
Special revenue funds	-	226,991	21,471	248,462
<b>Total fund balances</b>	<b>1,933,467</b>	<b>247,116</b>	<b>344,058</b>	<b>2,524,641</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,333,791</b>	<b>\$ 1,195,204</b>	<b>\$ 1,370,829</b>	<b>\$ 5,899,824</b>

The accompanying notes are an integral part of this statement.



Grand Haven Charter Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**  
December 31, 2006

Total fund balance—governmental funds	\$	2,524,641
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
are not reported in the governmental funds.

Cost of capital assets	\$ 10,573,122	
Accumulated depreciation	<u>(4,682,509)</u>	5,890,613

Accrued interest in governmental activities is not reported in the governmental funds.		(45,200)
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Special assessment revenue is not recognized until it is receivable in the current period and therefore is shown as deferred revenue in the governmental funds.		4,544
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Long-term liabilities in governmental activities are not due and payable in the  
current period and are not reported in the governmental funds.

Bonds and notes payable	(3,610,000)	
Compensated absences	<u>(78,364)</u>	<u>(3,688,364)</u>

Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>4,686,234</u></u>
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The accompanying notes are an integral part of this statement.

Grand Haven Charter Township  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Governmental Funds  
For the year ended December 31, 2006

	General Fund	Fire Fund	Other governmental funds	Total governmental funds
REVENUES				
Property taxes	\$ 800,957	\$ 805,532	\$ 324,535	\$ 1,931,024
Licenses and permits	400,074	-	-	400,074
Intergovernmental revenues - State	917,364	-	-	917,364
Charges for services	76,428	4,539	22,663	103,630
Fines and forfeitures	18,810	-	-	18,810
Investment earnings	158,522	24,893	19,167	202,582
Other	371,164	1,307	-	372,471
Total revenues	2,743,319	836,271	366,365	3,945,955
EXPENDITURES				
Current				
General government	1,272,483	-	6,477	1,278,960
Public safety	218,512	801,056	-	1,019,568
Public works	448,437	-	-	448,437
Community and economic development	405,302	-	-	405,302
Culture and recreation	298,232	-	-	298,232
Debt service				
Principal	25,500	-	375,000	400,500
Interest and fees	18,233	-	170,328	188,561
Capital outlay	47,964	85,708	-	133,672
Total expenditures	2,734,663	886,764	551,805	4,173,232
Excess of revenues over (under) expenditures	8,656	(50,493)	(185,440)	(227,277)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	7,804	-	-	7,804
Transfers in	-	-	212,594	212,594
Transfers out	(121,179)	-	-	(121,179)
Total other financing sources (uses)	(113,375)	-	212,594	99,219
Net change in fund balances	(104,719)	(50,493)	27,154	(128,058)
Fund balances at January 1, 2006	2,038,186	297,609	316,904	2,652,699
Fund balances at December 31, 2006	\$ 1,933,467	\$ 247,116	\$ 344,058	\$ 2,524,641

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended December 31, 2006

Net change in fund balances—total governmental funds	\$ (128,058)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (389,145)	
Capital outlay	<u>133,672</u>	(255,473)

Governmental funds report the entire proceeds from the sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale of capital assets.	(2,969)
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Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	400,500
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Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.	6,200
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Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.	9,029
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Governmental funds recognize special assessments as revenue as they become current, however they are recognized in full when levied in the Statement of Net Assets.	<u>(12,649)</u>
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Change in net assets of governmental activities	\$ <u><u>16,580</u></u>
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The accompanying notes are an integral part of this statement.

Grand Haven Charter Township  
**STATEMENT OF NET ASSETS**  
Proprietary Funds  
December 31, 2006  
ASSETS

	Business-type activities - Enterprise funds		
	Sewer	Water	Total
CURRENT ASSETS			
Cash and investments	\$ 1,411,820	\$ 1,278,590	\$ 2,690,410
Receivables			
Accounts	50,224	246,223	296,447
Property taxes	-	94,251	94,251
Special assessments	71,384	5,250	76,634
Contracts	-	20,557	20,557
Interest	-	4,046	4,046
Due from other funds	-	4,880	4,880
Prepaid items	2,665	7,646	10,311
Total current assets	1,536,093	1,661,443	3,197,536
NONCURRENT ASSETS			
Restricted assets	204,879	511,326	716,205
Capital assets			
Land	-	47,399	47,399
Utility systems	5,026,185	12,837,747	17,863,932
Machinery and equipment	56,440	166,203	222,643
Construction in progress	60,539	201,899	262,438
Less accumulated depreciation	(1,519,064)	(5,153,432)	(6,672,496)
Net capital assets	3,624,100	8,099,816	11,723,916
Access rights, net	-	939,693	939,693
Bond issuance costs, net	17,988	90,495	108,483
Special assessments receivable	517,897	12,936	530,833
Contracts receivable	-	54,255	54,255
Total noncurrent assets	4,364,864	9,708,521	14,073,385
Total assets	5,900,957	11,369,964	17,270,921
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	106,927	54,117	161,044
Accrued liabilities	1,263	28,197	29,460
Due to other governmental units	16,331	58,018	74,349
Due to other funds	13,641	42,562	56,203
Deferred revenue	-	198,736	198,736
Bonds and other obligations, due within one year	193,500	417,500	611,000
Total current liabilities	331,662	799,130	1,130,792
NONCURRENT LIABILITIES			
Bonds and other obligations, less amounts due within one year	1,045,775	5,363,681	6,409,456
Total liabilities	1,377,437	6,162,811	7,540,248
NET ASSETS			
Invested in capital assets, net of related debt	2,402,813	3,348,823	5,751,636
Restricted for:			
Debt service	-	431,613	431,613
Capital projects	204,879	79,713	284,592
Unrestricted	1,915,828	1,347,004	3,262,832
Total net assets	\$ 4,523,520	\$ 5,207,153	\$ 9,730,673

The accompanying notes are an integral part of this statement.

**Grand Haven Charter Township**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**

Proprietary Funds  
For the year ended December 31, 2006

	Business-type activities - Enterprise funds		
	Sewer	Water	Total
REVENUES			
Charges for services	\$ 315,273	\$ 1,599,203	\$ 1,914,476
OPERATING EXPENSES			
Administration	35,045	166,432	201,477
Operations	247,523	1,127,101	1,374,624
Depreciation and amortization	139,071	404,698	543,769
Total operating expenses	421,639	1,698,231	2,119,870
Operating loss	(106,366)	(99,028)	(205,394)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	113,496	96,114	209,610
Connection fees	37,951	133,725	171,676
Property taxes	-	179,007	179,007
Gain on sale of capital assets	-	2,300	2,300
Interest expense	(66,694)	(287,517)	(354,211)
Total nonoperating revenue (expenses)	84,753	123,629	208,382
Income (loss) before transfers	(21,613)	24,601	2,988
Transfers out	(25,511)	(65,904)	(91,415)
Change in net assets	(47,124)	(41,303)	(88,427)
Net assets at January 1, 2006	4,570,644	5,248,456	9,819,100
Net assets at December 31, 2006	\$ 4,523,520	\$ 5,207,153	\$ 9,730,673

The accompanying notes are an integral part of this statement.

**Grand Haven Charter Township**  
**STATEMENT OF CASH FLOWS**  
Proprietary Funds  
For the year ended December 31, 2006

	Business-type activities - Enterprise funds		
	Sewer	Water	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 317,682	\$ 1,634,134	\$ 1,951,816
Receipts from interfund services provided	216	7,574	7,790
Payments to suppliers	(190,542)	(1,104,339)	(1,294,881)
Payments to employees	(39,820)	(176,577)	(216,397)
Net cash provided by operating activities	87,536	360,792	448,328
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers out	(25,511)	(65,904)	(91,415)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Property taxes	-	179,007	179,007
Connection fees	147,683	138,974	286,657
Purchases of capital assets	(9,207)	(244,432)	(253,639)
Principal paid on capital debt	(185,575)	(235,871)	(421,446)
Interest paid on capital debt	(66,694)	(287,517)	(354,211)
Proceeds from sale of capital debt	-	2,300	2,300
Net cash used for capital and related financing activities	(113,793)	(447,539)	(561,332)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment earnings	113,496	96,114	209,610
Net increase (decrease) in cash and investments	61,728	(56,537)	5,191
Cash and investments at January 1, 2006	1,554,971	1,846,453	3,401,424
Cash and investments at December 31, 2006	\$ 1,616,699	\$ 1,789,916	\$ 3,406,615
<b>Reconciliation of cash and investments to the statement of net assets</b>			
Cash and investments	\$ 1,411,820	\$ 1,278,590	\$ 2,690,410
Restricted assets	204,879	511,326	716,205
	\$ 1,616,699	\$ 1,789,916	\$ 3,406,615
<b>Reconciliation of operating loss to net cash provided by operating activities</b>			
Operating loss	\$ (106,366)	\$ (99,028)	\$ (205,394)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation and amortization expense	139,071	404,698	543,769
Change in assets and liabilities			
Receivables, net	2,625	42,505	45,130
Internal balance	3,689	5,995	9,684
Prepaid items	148	792	940
Accounts payable	47,636	5,871	53,507
Accrued liabilities	733	(41)	692
Net cash provided by operating activities	\$ 87,536	\$ 360,792	\$ 448,328

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Fiduciary Funds  
December 31, 2006

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u><u>1,856,931</u></u>
<b>LIABILITIES</b>	
Due to other governmental units	1,853,894
Deposits held for others	<u>3,037</u>
Total liabilities	\$ <u><u>1,856,931</u></u>

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Grand Haven Charter Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

***Reporting Entity***

The Township is a municipal corporation governed by an elected seven-member Board and is administered by a Township Superintendent. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. The discretely presented component unit has a December 31 fiscal year end.

**Blended Component Unit**

*Building Authority.* The Authority serves all the citizens of the Township and is governed by a Board appointed by the Township's Board. The primary purpose of the Authority is to acquire and construct recreational facilities including bike paths. The Authority issues bonds that are approved by the Township Board, and the legal liability for the Authority's debt remains with the Township. The Authority then leases the assets to the Township to finance the repayment of the bonds. The Authority is reported as a debt service fund.

**Discretely Presented Component Unit**

*Downtown Development Authority (DDA).* The DDA Board is appointed by the Township Board, but the DDA operates as a separate entity. The DDA's primary purpose is to promote and facilitate economic growth in the downtown district. The board can authorize and issue debt independent from the Township. The component unit is presented as a governmental fund type.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is used to account for a special tax millage levied by the Township for the operation of the fire department.

The Township reports the following two major proprietary funds:

The Sewer Fund operates the Township's sewage pumping station, collection systems and pays for access to the region's sewage treatment plant.

The Water Fund operates the Township's water distribution system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued***

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Township's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

***Assets, Liabilities and Net Assets or Equity***

**Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

The component units' cash and investments are maintained within the Township's investment pool.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. Taxes levied on December 1 are recorded as receivables and deferred revenue. Taxes are recognized as revenue (and become available for appropriation) in the calendar year following the levy.

The 2005 state taxable value for real/personal property of the Township totaled approximately \$593,345,000 of which approximately \$44,303,000 was captured by the component unit. The ad valorem taxes levied consisted of .9212, 1.4370, .40, .22 and .36 mills for the Township's general operating, fire protection and debt service purposes. These amounts are recognized in the respective General Fund, Fire Fund, Water Fund, Fire Debt Service Fund and Pathway Debt Service Fund with captured amounts shown in the DDA component unit.

**Inventories and Prepaid Items**

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Certain cash and investments of the Water and Sewer funds are held at the Ottawa County Road Commission where their use is restricted to certain construction and debt activities. In addition, monies collected from the water debt service levy that are unspent are shown as restricted because their use is restricted to debt service.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated or amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Utility systems	40
Land improvements	15
Furniture and equipment	3-20
Vehicles	5-20
Shared improvements	20
Access rights	20

**Compensated Absences**

Township employees are granted vacation and sick leave in varying amounts based on length of service. Employees must use earned vacation time in the current year but can carry over a maximum of 10 days. Upon termination, employees are paid for unused vacation at their current rates. Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave is accumulated up to 30 days for employees. When unused sick leave exceeds 30 days for employees, one half of the balance in excess of 30 days is paid to the employees. One half of all unused accumulated sick leave is paid to employees who retire. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Long-Term Obligations—Continued**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to November 1, the Township Superintendent submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township Superintendent may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2006

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued**

**Excess of Expenditures Over Appropriations**

For the year ended December 31, 2006, actual expenditures exceeded appropriations for parks and recreation by \$18,021. These overexpenditures were funded with available fund balance.

**NOTE C—DEPOSITS AND INVESTMENTS**

As of December 31, 2006, the Township had the following investments:

<b>Investment Type</b>	<u>Fair value</u>	<u>Weighted average maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Money market mutual fund	\$ 91,562	1	AAA	1.5 %
External investment pool	5,032,249	1	AAA	85.0
U.S. Agency obligations	<u>799,890</u>	<u>16</u>	AAA	<u>13.5</u>
Total fair value	<u>\$ 5,923,701</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>3</u>		

The Township voluntarily invests certain excess funds in an external investment pool (Pool). The Pool is an external investment pool of "qualified" investments for Michigan municipalities. The Pool is not regulated nor registered with the SEC. The fair value of the Township's investments is the same as the fair value of the Pool.

**Interest rate risk.** The Township's investment policy limits investment maturities of various types of investments to various lengths as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Township has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Township's investment policy limits various types of investments to certain percentages of the Township's total investment portfolio as a means of managing its risk. More than 5 percent of the Township's investments are in U.S. Government Obligations issued by the Federal Home Loan Bank. This investment is 13.39 percent of the Township's investments.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2006

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2006, \$3,570,410 of the Township's bank balance of \$3,987,573 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Township is not authorized to invest in investments which have this type of risk.

**Restricted Assets**

Restrictions are placed on assets by bond ordinance and Township Board action. At December 31, 2006, restricted cash and investments in the enterprise funds are restricted as follows:

**Business-type activities**

Sewer Fund	
Construction	\$ 204,879
Water Fund	
Construction	79,713
Debt service	431,613
	<u>511,326</u>
	<u>\$ 716,205</u>

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 745,655	\$ -	\$ -	\$ 745,655
<b>Capital assets, being depreciated:</b>				
Land improvements	3,361,944	32,794	-	3,394,738
Buildings and improvements	4,259,400	-	-	4,259,400
Furniture and equipment	326,130	51,232	-	377,362
Vehicles	1,257,106	49,646	20,785	1,285,967
Shared improvements	510,000	-	-	510,000
Total capital assets, being depreciated	9,714,580	133,672	20,785	9,827,467

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2006

**NOTE D—CAPITAL ASSETS—Continued**

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
<b>Governmental activities:—Continued</b>				
<b>Less accumulated depreciation:</b>				
Land improvements	\$ 2,151,954	\$ 142,045	\$ -	\$ 2,293,999
Buildings and improvements	810,955	105,235	-	916,190
Furniture and equipment	146,733	36,891	-	183,624
Vehicles	972,038	79,474	17,816	1,033,696
Shared improvements	229,500	25,500	-	255,000
Total accumulated depreciation	4,311,180	389,145	17,816	4,682,509
Total capital assets being depreciated, net	5,403,400	(255,473)	2,969	5,144,958
Capital assets, net	<u>\$ 6,149,055</u>	<u>\$ (255,473)</u>	<u>\$ 2,969</u>	<u>\$ 5,890,613</u>
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 47,399	\$ -	\$ -	\$ 47,399
Construction in progress	-	262,438	-	262,438
Total capital assets not being depreciated	47,399	262,438	-	309,837
<b>Capital assets, being depreciated:</b>				
Utility systems	17,819,377	44,555	-	17,863,932
Machinery and equipment	205,332	42,533	25,222	222,643
Total capital assets, being depreciated	18,024,709	87,088	25,222	18,086,575
<b>Less accumulated depreciation:</b>				
Utility systems	6,080,482	445,485	-	6,525,967
Machinery and equipment	156,250	15,501	25,222	146,529
Total accumulated depreciation	6,236,732	460,986	25,222	6,672,496
Total capital assets being depreciated, net	11,787,977	(373,898)	-	11,414,079
Capital assets, net	<u>\$ 11,835,376</u>	<u>\$ (111,460)</u>	<u>\$ -</u>	<u>\$ 11,723,916</u>

**Depreciation**

Depreciation expense has been charged to functions as follows:

**Governmental activities:**

General government	\$ 59,561
Public safety	85,135
Public works	83,848
Culture and recreation	160,601
	<u>\$ 389,145</u>

**Business-type activities:**

Sewer	\$ 131,126
Water	329,860
	<u>\$ 460,986</u>



Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2006

**NOTE E—ACCESS RIGHTS**

Access rights activity for the year ended December 31, 2006 was as follows:

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
Business-type activities				
Access rights	\$ 1,296,128	\$ -	\$ -	\$ 1,296,128
Less accumulated amortization	<u>291,629</u>	<u>64,806</u>	<u>-</u>	<u>356,435</u>
Access rights, net	<u>\$ 1,004,499</u>	<u>\$ (64,806)</u>	<u>\$ -</u>	<u>\$ 939,693</u>

**Amortization**

Amortization expense has been charged to water.

**NOTE F—BOND ISSUANCE COSTS**

Bond issuance cost activity for the year ended December 31, 2006 was as follows:

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
Business-type activities				
Bond issuance costs	\$ 259,648	\$ -	\$ -	\$ 259,648
Less accumulated amortization	<u>133,189</u>	<u>17,976</u>	<u>-</u>	<u>151,165</u>
Bond issuance costs, net	<u>\$ 126,459</u>	<u>\$ (17,976)</u>	<u>\$ -</u>	<u>\$ 108,483</u>

**Amortization**

Amortization expense has been charged to functions as follows:

Sewer	\$ 7,945
Water	<u>10,031</u>
	<u>\$ 17,976</u>

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2006

**NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of December 31, 2006 is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 42,562
General Fund	Sewer Fund	8,761
General Fund	Fire Fund	15,838
General Fund	Other governmental funds	1,613
Water Fund	Sewer Fund	4,880
		<u>\$ 73,654</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Advances to/from other funds:**

The Cemetery Fund advanced to the General Fund of \$314,500 which represent transfers to the Cemetery Fund from the General Fund. These advances will be funded with cash as needed by the Cemetery Fund.

**Due from/to primary government and component units:**

The DDA owes the General Fund \$9,472 for operational purposes.

**Interfund transfers:**

	<u>Transfers in:</u>		
	<u>Other governmental funds</u>	<u>Total</u>	<u>Purpose</u>
Transfers out:			
General Fund	\$ 121,179	\$ 121,179	Debt service
Sewer Fund	25,511	25,511	Debt service
Water Fund	65,904	65,904	Debt service
	<u>\$ 212,594</u>	<u>\$ 212,594</u>	

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2006

**NOTE H—DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Township		Downtown Development Authority	
	Unavailable	Unearned	Unavailable	Unearned
Property taxes	\$ 1,162,567	\$ 1,059,687	\$ 260,278	\$ 138,497
Prepaid services (Cemetery Fund)	-	393,275	-	-
Special assessments not yet due	4,544	-	-	-
Total deferred revenue for governmental funds	<u>\$ 1,167,111</u>	<u>\$ 1,452,962</u>	<u>\$ 260,278</u>	<u>\$ 138,497</u>

**NOTE I—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the Township for the year ended December 31, 2006.

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Due within one year
<b>Governmental activities:</b>					
General obligation bonds	\$ 4,010,500	\$ -	\$ 400,500	\$ 3,610,000	\$ 425,500
Compensated absences	87,393	123,433	132,462	78,364	39,182
Governmental activity long-term liabilities	<u>\$ 4,097,893</u>	<u>\$ 123,433</u>	<u>\$ 532,962</u>	<u>\$ 3,688,364</u>	<u>\$ 464,682</u>
<b>Business-type activities:</b>					
Revenue bonds	<u>\$ 7,441,902</u>	<u>\$ -</u>	<u>\$ 421,446</u>	<u>\$ 7,020,456</u>	<u>\$ 611,000</u>

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2006

**NOTE I—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

**Governmental activities:**

**General obligation bonds:**

\$1,230,00 General Obligation Bonds of 1994 due in annual installments of \$100,000 to \$110,000 through February 2009; interest at 5%	\$ 315,000
\$510,000 County Drain Assessment of 1997 due in annual installments of \$25,500 through June 2016; plus interest at 6.5%	255,000
\$1,730,000 General Obligation Bonds of 1999 due in annual installments of \$195,000 to \$215,000 through March 2009; interest at rates varying from 4.75% to 4.85%	615,000
\$2,850,000 Grand Haven Charter Township Building Bonds of 2001 due in annual installments of \$105,000 to \$240,000 through May 2021; interest at 4.75%	<u>2,425,000</u> 3,610,000
Compensated absences	<u>78,364</u>
	<u>\$ 3,688,364</u>

**Business-type activities:**

**Revenue bonds:**

\$1,100,000 Ottawa County Wastewater Collection Bonds of 1996 due in installments of \$55,000 to \$95,000 through June 2016; interest at rates varying from 5.5% to 5.75%	\$ 725,000
\$875,000 Sewer Special Assessment Refunding Bonds of 1998 due in annual installments of \$80,000 to \$85,000 through June 2010; interest at rates varying from 4.5% to 4.7%	330,000

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2006

**NOTE I—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

**Business-type activities:—Continued**

**Revenue bonds:—Continued**

\$239,850 Ottawa County Refunding Wastewater Collection Bonds of 2005 due in annual installments of \$58,500 to \$64,350 through July 2009; interest at rates varying from 3.5% to 4.375%	\$ 184,275
\$3,110,000 Water Transmission Bonds of 1999 due in annual installments of \$115,000 to \$130,000 through July 2008; interest at 5%	245,000
\$1,296,128 Ottawa County Water Supply Bonds of 2001 due in annual installments of \$41,002 to \$136,674 through May 2021; interest at rates varying from 4.625% to 5.2%	1,200,456
\$4,670,000 Ottawa County Refunding Water Supply Bonds of 2005 due in annual installments of \$261,500 to \$410,000 through July 2019; interest at rates varying from 3.5% to 4.375%	<u>4,335,725</u> <u>\$ 7,020,456</u>

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

The revenue bonds are backed by the full faith and credit of the Township.

The Ottawa County Water Supply Bonds of 2001 represent agreements with Ottawa County relating to the construction of water supply facilities. To construct these facilities, the County issued bonds which local municipalities are obligated to repay. The Township has recorded the liability for its portion of the County bonds which are to be repaid by the access rights fee. Access rights are also recorded and are amortized over 20 years. The contractual obligation is secured by the full faith and credit of the Township. Current debt service requirements are funded by water revenues.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2006

**NOTE I—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

The Township was in compliance in all material respects with all the revenue bond ordinances at December 31, 2006.

Annual debt service requirements to maturity for debt outstanding as of December 31, 2006 follows:

Year ending December 31,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2007	\$ 425,500	\$ 167,500	\$ 611,000	\$ 301,500
2008	445,500	146,000	645,500	275,500
2009	465,500	123,500	605,000	248,000
2010	150,500	108,000	514,500	224,000
2011	155,500	100,500	464,000	204,500
2012-2016	907,500	373,500	2,619,500	698,500
2017-2021	<u>1,060,000</u>	<u>132,245</u>	<u>1,560,956</u>	<u>160,046</u>
	<u>\$ 3,610,000</u>	<u>\$ 1,151,245</u>	<u>\$ 7,020,456</u>	<u>\$ 2,112,046</u>

**NOTE J—OTHER INFORMATION**

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability and property risks as a member of the Michigan Participating Plan (MPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MPP for its insurance coverage. The MPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2006

**NOTE J—OTHER INFORMATION—Continued**

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

**Post-Retirement Health Care**

The Township has agreed to provide post-retirement health care to certain employees after they retire.

As of year end, there were two retired employees receiving benefits. The Township finances the Plan on a pay-as-you-go basis. For the year ended December 31, 2006, the Township's post-retirement health care cost under the Plan was approximate \$7,500.

**Joint Ventures**

The Township is a member of the Grand Haven - Spring Lake Sewer Authority (Authority). The Township appoints one member to the joint venture's governing board, which then approves the annual budget. In the current year, the Township paid \$100,381 to the Authority for sewage treatment. The purpose of the Grand Haven - Spring Lake Sewer Authority is to acquire, own, improve, enlarge, extend and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing seven members. The participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven and the Village of Spring Lake) pay a set rate to the Authority to process waste. This rate includes amounts to finance the Authority's debt. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street, Grand Haven, MI 49417).

The Township is also a member of the Northwest Ottawa Water Treatment Plant. The Township appoints one member to the joint venture's governing board, which then approves the annual budget. In the current year, the Township paid \$603,468 to the plant to purchase water. The purpose of the Northwest Ottawa Water Treatment Plant is to acquire, construct, finance, operate and maintain a water production facility. The plant is governed by an administrative committee composed of one representative from each of the participating communities (Cities of Grand Haven and Ferrysburg, Townships of Grand Haven and Spring Lake and the Village of Spring Lake). These participating communities pay for water at a rate that is estimated to cover operation, maintenance, replacement and debt service. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating government in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street, Grand Haven, MI 49417).

Grand Haven Charter Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
December 31, 2006

**NOTE K—PENSION PLANS**

**Defined Contribution Plan**

The Township maintains a defined contribution retirement plan administered by Manulife Financial USA that covers substantially all full-time employees. Participants contribute 5 percent of their salaries to the plan and the Township contributes 10 percent of each eligible employee's salary to the plan. Employees are also able to make additional voluntary contributions. The Township's contribution for 2006 was \$95,575 and the employees' contribution was \$47,788.

**Deferred Compensation Plan**

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Township employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

**NOTE L—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 33 percent of General Fund revenues.

**NOTE M—SUBSEQUENT EVENT**

Subsequent to year end, the Township entered into a contract of \$105,507 for manhole rehabilitation. These costs will be paid by available net assets in the Sewer Fund.



## **REQUIRED SUPPLEMENTARY INFORMATION**

Grand Haven Charter Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended December 31, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 793,650	\$ 807,895	\$ 800,957	\$ (6,938)
Licenses and permits	417,335	389,260	400,074	10,814
Intergovernmental revenues - State	937,345	923,620	917,364	(6,256)
Charges for services	81,565	75,835	76,428	593
Fines and forfeitures	6,500	18,000	18,810	810
Investment earnings	106,500	122,710	158,522	35,812
Other	409,135	382,855	371,164	(11,691)
Total revenues	2,752,030	2,720,175	2,743,319	23,144
EXPENDITURES				
Current				
General government				
Township Board	201,035	252,250	240,940	11,310
Supervisor	25,340	25,690	25,213	477
Elections	30,840	30,840	22,688	8,152
Finance	191,055	193,860	193,679	181
Assessor	222,665	211,755	208,344	3,411
Clerk	24,825	26,850	25,970	880
Board of appeals	3,090	4,900	4,590	310
Board of review	1,670	1,670	1,213	457
Administrative	259,695	261,700	263,683	(1,983)
Treasurer	20,615	20,785	20,044	741
Building and grounds	147,580	147,830	144,751	3,079
Cemetery	120,300	135,380	121,368	14,012
Public safety				
Law enforcement	220,120	220,120	218,512	1,608
Public works				
Road construction and maintenance	319,500	336,500	342,312	(5,812)
Street lighting	87,000	84,000	85,934	(1,934)
Waste collection	23,000	12,040	10,694	1,346
Drains	10,600	10,600	9,497	1,103
Community and economic development				
Building and zoning	384,895	361,120	362,597	(1,477)
Planning commission	19,110	42,070	42,705	(635)
Culture and recreation				
Parks and recreation	240,605	230,810	248,831	(18,021)
Bike paths	63,745	67,315	49,401	17,914
Debt service				
Principal	25,500	25,500	25,500	-
Interest and fees	18,235	18,235	18,233	2
Capital outlay	126,200	64,025	47,964	16,061
Total expenditures	2,787,220	2,785,845	2,734,663	51,182
Excess of revenues over (under) expenditures	(35,190)	(65,670)	8,656	74,326
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	7,804	7,804
Transfers out	(121,270)	(121,270)	(121,179)	91
Total other financing sources (uses)	(121,270)	(121,270)	(113,375)	7,895
Net change in fund balance	\$ (156,460)	\$ (186,940)	(104,719)	\$ 82,221
Fund balance at January 1, 2006			2,038,186	
Fund balance at December 31, 2006			\$ 1,933,467	

Grand Haven Charter Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**

Fire Fund  
For the year ended December 31, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 808,000	\$ 808,000	\$ 805,532	\$ (2,468)
Charges for services	10,650	4,530	4,539	9
Investment earnings	9,000	24,500	24,893	393
Other	48,650	1,830	1,307	(523)
Total revenues	876,300	838,860	836,271	(2,589)
EXPENDITURES				
Current				
Public safety	795,800	835,190	801,056	34,134
Capital outlay	285,000	85,000	85,708	(708)
Total expenditures	1,080,800	920,190	886,764	33,426
Net change in fund balance	\$ <u>(204,500)</u>	\$ <u>(81,330)</u>	(50,493)	\$ <u>30,837</u>
Fund balance at January 1, 2006			<u>297,609</u>	
Fund balance at December 31, 2006			\$ <u>247,116</u>	

## **OTHER SUPPLEMENTAL INFORMATION**

**Grand Haven Charter Township**  
**COMBINING BALANCE SHEET**

Other Governmental Funds

December 31, 2006

	Total other governmental funds	Special Revenue		Debt Service		
		Cemetery	Police Services	Pathway Debt Service	Fire Debt Service	Township Building Debt Service
<b>ASSETS</b>						
Cash and investments	\$ 726,296	\$ 99,053	\$ 145,709	\$ 303,575	\$ 177,610	\$ 349
Receivables						
Accounts	1,208	1,208	-	-	-	-
Property taxes	328,825	-	156,036	109,959	62,830	-
Advances to other funds	314,500	314,500	-	-	-	-
Total assets	<u>\$ 1,370,829</u>	<u>\$ 414,761</u>	<u>\$ 301,745</u>	<u>\$ 413,534</u>	<u>\$ 240,440</u>	<u>\$ 349</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 150	\$ -	\$ -	\$ 150	\$ -	\$ -
Due to other funds	1,613	15	-	1,145	453	-
Deferred revenue	<u>1,025,008</u>	<u>393,275</u>	<u>301,745</u>	<u>209,998</u>	<u>119,990</u>	<u>-</u>
Total liabilities	1,026,771	393,290	301,745	211,293	120,443	-
Fund balances						
Reserved for debt service	322,587	-	-	202,241	119,997	349
Unreserved	<u>21,471</u>	<u>21,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>344,058</u>	<u>21,471</u>	<u>-</u>	<u>202,241</u>	<u>119,997</u>	<u>349</u>
Total liabilities and fund balances	<u>\$ 1,370,829</u>	<u>\$ 414,761</u>	<u>\$ 301,745</u>	<u>\$ 413,534</u>	<u>\$ 240,440</u>	<u>\$ 349</u>

Grand Haven Charter Township  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Other Governmental Funds  
For the year ended December 31, 2006

	Total other governmental funds	Special Revenue		Debt Service		
		Cemetery	Police Services	Pathway Debt Service	Fire Debt Service	Township Building Debt Service
REVENUES						
Property taxes	\$ 324,535	\$ -	\$ -	\$ 201,289	\$ 123,246	\$ -
Charges for services	22,663	22,663	-	-	-	-
Investment earnings	19,167	4,799	-	9,191	4,885	292
Total revenues	366,365	27,462	-	210,480	128,131	292
EXPENDITURES						
Current						
General government	6,477	6,477	-	-	-	-
Debt service						
Principal	375,000	-	-	185,000	95,000	95,000
Interest and fees	170,328	-	-	34,131	18,503	117,694
Total expenditures	551,805	6,477	-	219,131	113,503	212,694
Excess of revenues over (under) expenditures	(185,440)	20,985	-	(8,651)	14,628	(212,402)
OTHER FINANCING SOURCES						
Transfers in	212,594	-	-	-	-	212,594
Net change in fund balances	27,154	20,985	-	(8,651)	14,628	192
Fund balances at January 1, 2006	316,904	486	-	210,892	105,369	157
Fund balances at December 31, 2006	\$ 344,058	\$ 21,471	\$ -	\$ 202,241	\$ 119,997	\$ 349

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

June 25, 2007

Township Board  
Grand Haven Charter Township  
Grand Haven, Michigan

In planning and performing our audit of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Grand Haven Charter Township as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered Grand Haven Charter Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grand Haven Charter Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Grand Haven Charter Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified and we have attached deficiencies in internal control that we consider to be significant deficiencies.

This communication is intended solely for the information and use of management, the Township Board, others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



## SIGNIFICANT DEFICIENCIES

Recommendation 1: All general ledger account balances should be reconciled to detailed supporting documentation on a regular basis.

During our audit, we noted that many accounts were not reconciled on a timely basis or were not reconciled at all. Accounts that the Township should be reviewing and reconciling on a regular basis are accounts payable and cemetery liabilities, utility receivables, special assessments, and property taxes.

Failure to timely reconcile general ledger account balances can adversely affect the accuracy of internally-prepared monthly financial statements, and, correspondingly, adversely affect the analysis and conclusions as to the Township's financial position and results of operations by the Township Board, management, and other users of such monthly financial statements.

Recommendation 2: All journal entries should have documented approval by an appropriate member of management.

During our audit, we noted that approval of journal entries was not always documented.

The maintenance of files with documented approval of journal entries would reduce the possibility of an inaccurate journal entry being made.